

Initiation of Coverage

BIM

Safe and Sound

We initiate our coverage of BIM with an **OUTPERFORM** rating and a 12-month target price of TRY133/share, offering 40% potential upside in TRY terms and 33% upside in USD terms according to our exchange rate assumptions. Even though the stated potential upside is not eye-catching alongside some other more attractively-valued names on the ISE, we believe that the solid growth potential of the company, its high dividend payout ratio and the defensive nature of the business and the stock (with a beta of 0.51) position BIM as an ideal outperform in the current market backdrop.

■ **The Turkish Aldi...** BIM has successfully applied the hard-discount retail format in Turkey, applying German Aldi's operational model as a basis. The company offers a limited range of high-quality products at the lowest possible price through stores located at easily accessible secondary streets with reasonable rents. With 1,735 stores at the end of 2007, BIM boasts the highest number of stores of any retail chain in the sector.

■ **BIM boasts a comparative advantage with its 600 Stock-Keeping Units (SKUs) and a decentralized management system.** The company operates with an optimal product portfolio of 600 SKUs. The limited product range not only strengthens BIM's hand in negotiations with suppliers, given that the company is the largest purchaser of its SKUs, but also increases efficiency in stores, warehouses and inventory management as well as optimising product selection and quality control. BIM also works with a highly decentralized management scheme, broken down into 16 different regions with a regional manager heading a warehouse serving the corresponding stores.

■ **Moroccan operations unlikely to have immediate effect on the company's financials.** The company announced its decision to enter the Moroccan retail market in December 2007. Assuming that the company expands at a similar pace to its expansion in Turkey, in proportion to the country's population, we forecast that the company will open 7 stores in 2008 and continue its expansion by opening an average of 50 stores per year over the next decade. We believe the Moroccan operations will not generate a profit until 2012, due to the nature of the hard-discount segment. Based on our preliminary analysis, we estimate Moroccan operations to have a net present value in the range of US\$200mn - US\$280mn.

■ **Solid top-line growth, contracting gross margin.** On the back of aggressive store expansion, we forecast a CAGR of 16.7% at the top line in USD terms over the next decade, paving the way for an improvement at the operating level. However, in a bid to become more competitive, the company tends to reflect any operational savings to the customer in the form of lower sales prices. Therefore, we forecast a gradual reduction in the gross margin from an estimated 17.3% in 2007 to 15.3% by 2017. On the other hand, we expect the EBITDA margin to climb to around 5.0% in the long run, with a forecasted CAGR of 16.1% in EBITDA in USD terms until 2017.

■ **One of the most defensive stocks on the ISE.** With no imports or exports, the company does not have a high FX position, and is therefore insensitive to exchange rate volatility. Moreover, with the cash from operations and the negative cash cycle able to comfortably finance investments, BIM enjoys a net cash position amounting to an estimated US\$48mn. We believe that as a defensive business with sound financials, BIM deserves a place in diversified portfolios, with the stock positioned to continue a good performance in the current rather uncertain market conditions.

Outperform

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David Taranto

+90 (212) 336 7281

david.taranto@finansinvest.com

Mehmet Colakoglu, CFA

+90 (212) 336 7296

mehmet.colakoglu@finansinvest.com

Stock Data

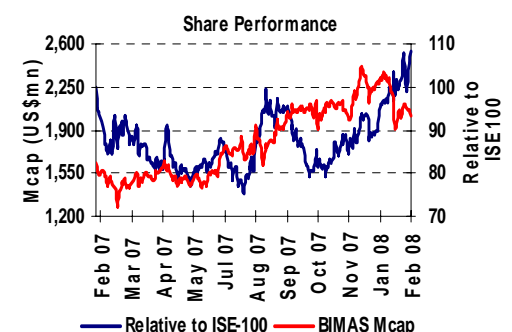
Bloomberg / Reuters	BIMAS TI / BIMAS.IS
Price (TRY)	95.00
12m Price Target (TRY)	133.00
52 week Price Range (TRY)	71.43-111.00
Shares Outstanding	25,300,000
Market Cap (TRYmn):	2,404
Market Cap (USDmn):	2,013
Enterprise Value (USDmn)	1,950

Trading Data

Relative Performance		
	3mth:	23.7%
	12mth:	15.6%
3 mo. Avg. Daily Trading Vol.		US\$ 1.49 mn
Weight in ISE-100		n.a.
Beta (Since IPO, weekly returns)		0.51
Foreign Ownership		
	Current	74.1% of free float
	12 month ago	82.4% of free float

(US\$m)	2005	2006	2007E	2008F	2009F
Net Sales	1,248	1,552	2,284	3,247	3,913
EBITDA	56	73	115	160	190
Net Profit	23	50	76	103	121
DPS (TRY)	1.00	2.20	3.12	3.90	4.78
Div. Yield	2.4%	2.8%	3.2%	4.1%	5.0%
EV/S (x)	0.45	0.54	0.86	0.60	0.50
EV/EBITDA (x)	35.4	26.8	17.1	12.3	10.3
P/E (x)	27.0	17.8	26.6	19.6	16.6

Source: Company, FinansInvest Estimates



Valuation

Our target valuation is a weighted average of the results obtained from DCF analysis (75%) and international peer comparison (25%), with DCF valuation given a higher weighting as we believe DCF more appropriately reflects BIM's growth plans.

DCF Analysis yields 12-month target equity value of US\$2,788mn

We based our DCF analysis on the following assumptions:

■ We project that the company will reach its target store network of 4,000 in Turkey within 10 years with the growth decelerating throughout the forecasting period. We forecast 280 store openings in 2008, slowing to 194 new stores by 2017. In spite of the retail floor expansion, we believe like-for-like (LFL) sales will remain an important driver of the top-line growth in the long run. We forecast that LFL sales will surge by between 7.5% and 11.3% per year over the next decade. In sum, we expect the top-line to grow at a CAGR of 16.7% in USD terms over the next decade.

■ We have also included BIM's forthcoming Moroccan operations in our DCF calculation. Note that our forecasts on BIM's Moroccan operations are not based on the management's guidance, as the management has not yet announced the details of the plans. We project the company to open 7 stores in 2008 and continue its expansion by opening an average of 50 stores per year over the next decade. We believe the Moroccan operations will not generate a profit until 2012 due to the nature of the hard-discount segment. We forecast that the Capex requirement associated with opening a new store in Morocco will be roughly 20% higher than opening a store in Turkey, at least for the first 4 years, due to the start up costs. All in all, we believe that despite the significant growth potential ahead, the Moroccan operations will not have a major effect on BIM's valuation in the short term. Based on our preliminary analysis, we estimate Moroccan operations to have a net present value in the range of US\$200mn - US\$280mn. The Moroccan operations are expected to augment BIM's consolidated revenues by around 2% by 2010, while the consolidation may be negligibly earnings-dilutive in initial years. We will update our forecasts for the company's Moroccan operations when further details are announced. Please refer to page 13 and the appendix section for more information on the Moroccan retail market and our forecasts and view on BIM's operations.

■ We forecast a gradual reduction in the gross margin from an estimated 17.3% in 2007, as the company reflects the operational improvement to sales prices with the intention of being more competitive on pricing. The management's target is to attain a gross margin of 15% within 12 years, while we project a gross margin of 15.3% by 2017, the final year of our forecasted horizon.

■ We expect the Opex/Sales ratio to diminish to 11.6% over the next decade due to the solid top-line growth and economies of scale. Note that the company's long-term Opex/Sales ratio target is 10%.

■ We expect a moderate decrease in CAPEX spending in 2009 due to completion of the four warehouses in 2008. We believe the company will continue to open warehouses over the next decade to keep the warehouse / store ratio below 120.

■ We apply a 3.5% terminal growth rate, as we believe the company will continue to reap the benefit of the growth potential in Anatolia, Morocco and possibly other neighbouring emerging countries in the future.

■ The WACC is forecasted to range between 8.0% - 12.2% during the forecast period.

Figure 1: BIM - DCF Summary (US\$mn)

BIMAS											
US\$ mn	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Revenues	2,284	3,247	3,913	4,620	5,367	6,183	7,050	7,925	8,808	9,745	10,714
<i>Growth</i>	47%	42%	21%	18%	16%	15%	14%	12%	11%	11%	10%
Gross Profit	394	551	654	761	873	994	1,120	1,246	1,371	1,502	1,636
EBIT	88	119	141	165	191	220	251	283	317	353	392
Less: Cash Taxes	19	26	30	35	41	47	53	60	67	75	83
NOPLAT	69	93	111	130	150	173	198	223	250	279	310
Add : Depreciation	27	41	49	58	67	76	85	94	102	111	119
Less : Increase in WC	-21	-34	-23	-31	-34	-38	-41	-43	-44	-48	-50
Cash Flow from Operations	117	168	184	219	251	287	324	359	397	437	479
Less :Fixed capital investments	97	135	114	120	125	128	129	127	129	129	116
Free Cash Flow	20	34	69	100	127	159	194	232	268	308	363

Gross Profit margin	17.3%	17.0%	16.7%	16.5%	16.3%	16.1%	15.9%	15.7%	15.6%	15.4%	15.3%
EBIT margin	3.8%	3.7%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.7%
EBITDA margin	5.0%	4.9%	4.9%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Dep/Sales	1.2%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%
Capex/Sales	4.3%	4.1%	2.9%	2.6%	2.3%	2.1%	1.8%	1.6%	1.5%	1.3%	1.1%
Working Capital / Revenues	-3.9%	-4.0%	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%	-3.9%	-3.9%	-3.9%	-3.9%

Source: FinansInvest Forecasts

COST OF EQUITY	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Global Risk-Free Rate (US treasury, 10yr)	3.7%	4.0%	4.0%	4.3%	4.5%	4.8%	5.0%	5.0%	5.0%	5.0%
Turkish Equity Risk Premium	8.5%	8.3%	8.1%	8.0%	7.8%	7.7%	7.5%	7.4%	7.2%	7.2%
Unlevered Beta	0.51	0.71	0.82	0.89	0.94	0.96	0.98	0.99	0.99	1.00
Net Debt/Market Cap	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weight of Debt in Total Capitalization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Relevered Beta	0.51	0.71	0.82	0.89	0.94	0.96	0.98	0.99	0.99	1.00
Cost of Equity (Geared)	8.0%	9.8%	10.7%	11.4%	11.8%	12.1%	12.3%	12.2%	12.2%	12.2%

COST OF DEBT	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Corporate Debt Spread (over global rfr)	4.2%	3.9%	3.7%	3.5%	3.4%	3.2%	3.2%	3.2%	3.2%	3.2%
Pre-tax Cost of Debt	7.8%	7.9%	7.7%	7.8%	7.9%	8.0%	8.2%	8.2%	8.2%	8.2%
Tax Rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
After-tax Cost of Debt	6.3%	6.3%	6.2%	6.2%	6.3%	6.4%	6.6%	6.6%	6.6%	6.6%

WACC & DCF	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
WACC	8.0%	9.8%	10.7%	11.4%	11.8%	12.1%	12.3%	12.2%	12.2%	12.2%
Discount factor*	1.03	1.13	1.25	1.39	1.56	1.75	1.96	2.20	2.47	2.77
PV of OPFCF (annual)	32.6	61.3	79.5	90.8	102.0	111.3	118.3	121.6	124.6	130.8

* Cash Flows Discounted from midyear

Sum of PV of OPFCF (2008-2017)	973
PV of terminal value (tgr - 3.5%)	1,561
Total EV	2,534
(-) 'Net debt (2007YE)*	-48
Total Fair Equity Value	2,582
12-Month Target Mcap	2,788
Current Mcap	2,013
12-Month Upside Potential	39%

Source: FinansInvest Forecasts

Trading at a discount to its global peers

We compared BIM's 2008 and 2009 multiples with eight global peers in emerging markets; giving 35%, 30% and 35% weight on EV/Sales, EV/EBITDA and P/E multiples, respectively. We value the company at US\$2,201mn through global peer group comparison; yielding a 12-month target MCAP of US\$2,378mn.

Figure 2: BIM - Global Peer Comparison

Company	Country	MCAP (US\$mn)	EV/SALES		EV/EBITDA		P/E	
			2008	2009	2008	2009	2008	2009
Wumart	China	751	0.43	0.38	6.42	6.14	16.51	13.46
Walmart de Mexico	Mexico	30302	1.22	1.01	11.74	9.70	19.70	16.05
Magnit	Russia	3434	0.79	0.62	14.08	10.75	27.25	19.51
Seventh Continent	Russia	1868	1.12	0.81	11.40	8.17	21.23	15.83
Dixy	Russia	904	0.57	0.46	10.09	7.85	25.11	17.06
x 5 Retail Group	Russia	7360	1.22	1.03	13.09	9.70	29.80	22.72
Organizacion Soriana	Mexico	4829	0.56	0.59	7.85	7.91	16.21	13.47
President Chain store	Taiwan	2523	0.54	0.51	8.82	8.37	18.94	17.68
Average			0.81	0.68	10.44	8.57	21.84	16.97
BIM			0.60	0.50	12.28	10.32	19.57	16.61

BIM (US\$mn)	2008F	2009F
Sales	3,247	3,913
EBITDA	160	190
Earnings	103	121

BIM - Implied (US\$mn)	2008F	2009F	Average	Weight
Mcap (acc. to EV/Sales)	2668	2696	2682	35%
Mcap (acc. to EV/EBITDA)	1718	1681	1699	30%
Mcap (acc. to P/E)	2246	2057	2152	35%
BIM - Weighted Implied Mcap				2,201
12-Month Target Mcap				2,378
Current Mcap				2,013
Upside				18%

Source: Bloomberg, FinansInvest Forecasts

Our blended valuation yields a 12-month target equity value of US\$2,686mn

We believe DCF analysis more appropriately takes BIM's growth prospects into account than global peer comparison. Furthermore, unlike BIM, the majority of the company's global peers do not operate in a hard-discount format. In this respect, BIM differentiates itself from its peers. Therefore we gave a 75% weighting to the result obtained from DCF analysis and a 25% weighting to the global peer comparison. Our blended valuation values the company at US\$2,686mn, representing 35% 12-month upside potential in USD terms.

Figure 3: BIM - Blended Valuation

US\$mn	Value	Weight
DCF	2,789	75%
Global Peer	2,378	25%
12-Month Target Mcap	2,686	
Current Mcap	2,013	
Upside	33%	

Source: FinansInvest Forecasts

Company Overview

Turkey's sole true hard-discounter

BIM is Turkey's sole true hard-discounter offering a limited range of high-quality products at the lowest possible price through stores located at easily accessible secondary streets with reasonable rents. The company, founded in 1995, boasts the highest number of stores of any retail chain in the sector, and ranks second in terms of sales after Migros. The chain has recorded impressive growth since its foundation, opening an average 145 stores per year to reach a total 1,735 stores as of December 2007. The company operates in 16 regions covering approximately 70% of Turkey's population. The initial shareholders Merrill Lynch Global Emerging Markets Partners, BankAmerica International Investment Corporation, Albaraka Turk and Kuvveyt Turk sold their stakes through an IPO in 2005. The shares have since yielded 254%, outperforming the 47% return on the ISE over the same period. The company runs a very cost-conscious and efficient operation and reflects the savings to the customer in the form of lower prices. The company places great emphasis on own-label products and aims to increase the share of own-label products in revenues.

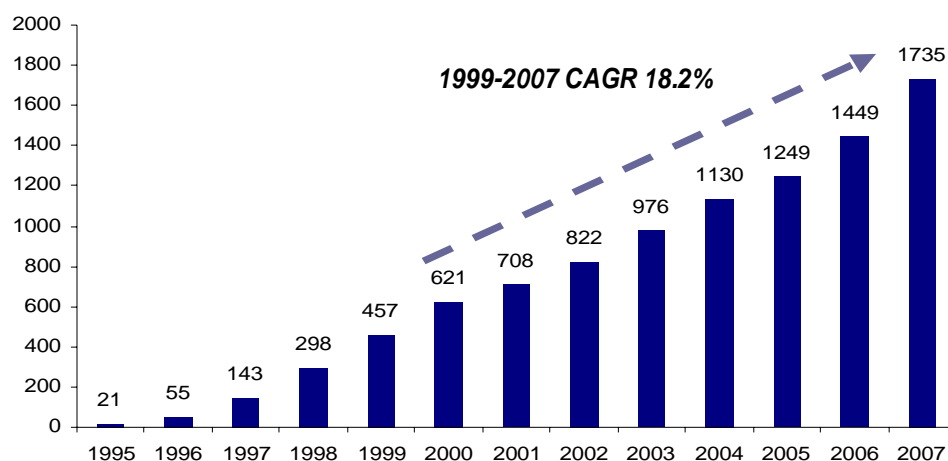
Figure 4: BIM shareholder structure

Shareholders	TRY	%
Mustafa Latif Topbas	5,064,416	20.02%
Abdulrahman A.El Khereji	4,702,100	18.59%
Zuhair Hamed Fayaz	998,275	3.95%
Ahmet Afif Topbas	1,608,500	6.36%
Ibrahim Halit Cizmeci	300,000	1.18%
Omer Hulusi Topbas	30,000	0.11 %
Free Float	12,596,709	49.79%
Total	25,300,000	100%

A relatively low CAPEX requirement for new store openings

BIM's stores range in size of 200-600 m² and are located on easily accessible secondary streets in highly populated areas, enabling the company to curtail the proportion of rental costs in sales. Setting up a new store costs around US\$90,000 for BIM (US\$65,000 for the investment in a new store plus US\$25,000 in inventory) - substantially less than the sizeable start-up CAPEX required for the outlets of the large retail chains, enabling the company to easily close down failing stores and relocate to more promising areas. The company also uses a pallets system instead of shelves, which not only reduces set up costs but also limits the number of personnel required at each store, through rapid positioning of new products and rapid pace of new store openings. The company also has around 30-40 seasonal stores located in regions with a high level of holiday traffic.

Figure 5: BIM - Number of Stores



Source: Company

BIM closely tracks the rental/sales ratio

In order to achieve operational efficiencies and flexibility in relocating its stores, BIM works to a policy of renting stores in seven-year contracts while the company maintains the option of unilaterally revoking the rental agreement and closing a store with one-month's notice. Increases in rent are generally tied to inflation. BIM closely tracks the rental/sales ratio and takes action to step up sales or lower rental costs if the ratio exceeds a certain limit; if both strategies fail, the company moves to relocate to a new site.

BIM boasts a comparative advantage with its 600 SKU's

In order to keep a lid on costs, BIM operates with an optimal product portfolio of 600 SKUs, satisfying the customer's basic needs, compared to the 1,800-2,000 SKUs for other soft discount stores such as Sok and Diasa. The limited range of products not only strengthens BIM's hand in negotiations with suppliers, given that the company is the largest purchaser of its 600 SKUs, but also increases efficiency in stores, warehouses and inventory management. The focused approach also enables the upper management to set the right pricing policy for each product as well as optimising product selection and quality control. The company currently works with over 250 suppliers and works with at least two suppliers for each product. Over the coming years, the company will exert even higher pressure on its suppliers in line with the company's increasing sales volume, driving even higher price concessions. BIM's sales prices are approximately 12-13% lower than its competitors operating in soft discount format.

Figure 6: BIM vs. Competition

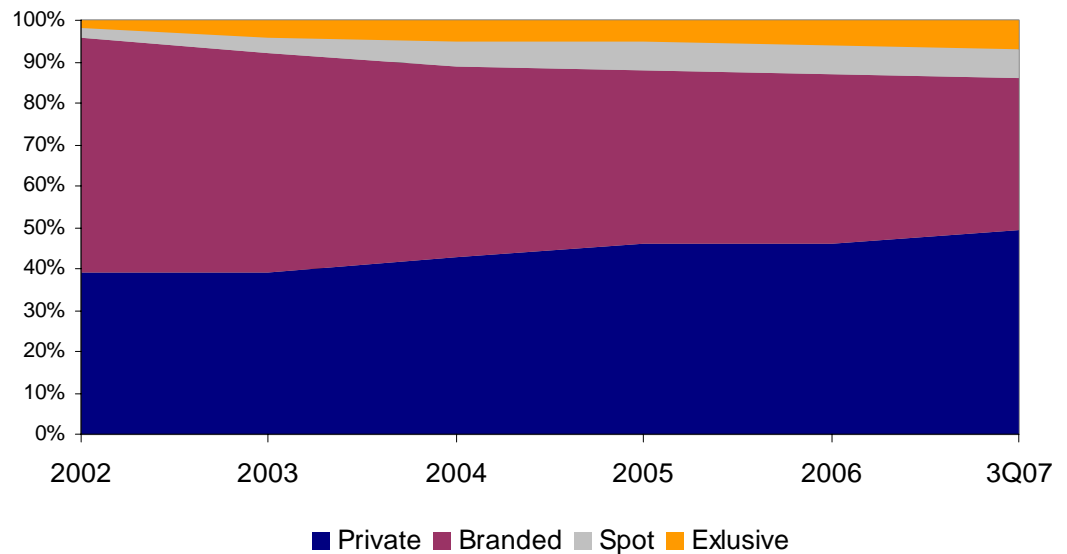
	BIM	Competition
Concept	Hard Discount	Soft Discount
Store Location	Easily Accessible Secondary Streets	Primary and Secondary Streets
Store Size	Typically 200-600m ²	Smaller (ie 100-250m ²)
Personnel Per Store	Typically 3-6	Higher Number (6-12)
Store Layout	Limited Shelves	Higher Use of Shelves
Number of SKUs	600	Higher 1,800-2,000
% Private Label	50%	Lower (10-40%)
Merchandise	No Alcohol, tobacco, fish or fresh meat Limited Fresh and frozen goods	Alcohol, tobacco, meat, fish, frozen goods available

Source: Company

Proportion of own-label products set to increase

Around 49.5% of BIM's sales revenues are derived from own-label products, which though similar or identical to comparable branded similar products, can be sold at a discount of 15-45%, thanks primarily to a lack of implicit marketing, advertising or logistical expenses. BIM owns and controls the "brand" trademarks, which enable the company to increase customer loyalty, volumes, and profit margins. Own-label products are the company's most lucrative products and play a key role in the company's competitiveness over other discount stores, as own-label products constitute 49.5% total sales - comparing favourably with around 30% of revenues for Sok and 20% for Diasa. The management believes there is still growth potential in private-label products as BIM's international peer, Aldi, generates 80% of sales from own-label products. The company's long-term target is to increase the proportion of own-label products in total sales to 75%.

Figure 7: BIM Product Breakdown (Share in revenues)



Source: Company

Spot products, which comprise around 7.1% of sales revenues, are branded products sold cheaply for limited periods and are mainly intended to increase customer traffic in stores. BIM introduces around 10-15 spot products per week, which are generally products that customers may require periodically. Exclusive products, which are low-cost branded products tailor-made by the producers in terms of size and packaging, constitute another 6.9% of sales. Exclusive products also enable BIM to increase customer traffic and sales volumes, although the company aims to replace them with branded products in the longer term. Finally, around 36.5% sales are derived from leading branded products such as Coca-Cola, Omo, Sana. Limited vegetables and fresh items also constitute of around 1% of total sales.

Decentralized management system boost efficiency

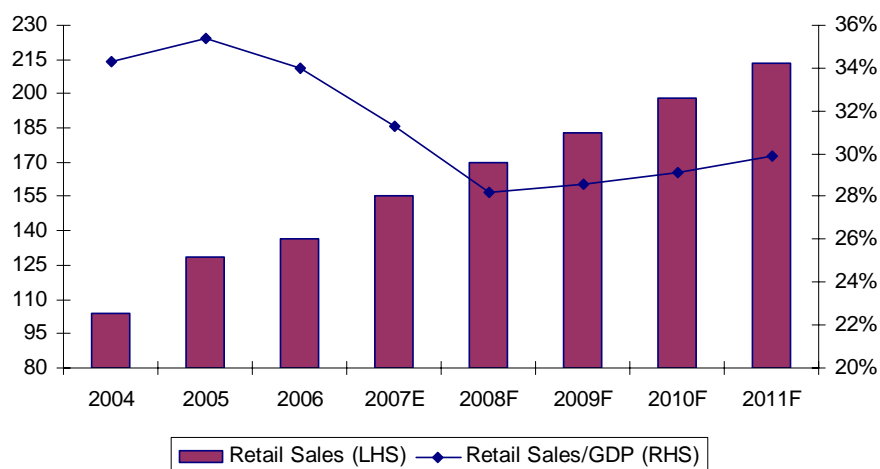
BIM generally works with a highly-decentralized management scheme, broken down into 16 different regions with a regional manager heading a warehouse of between 6,000-13,000 m² and corresponding stores. BIM currently owns 6 of its 16 warehouses. The company works with an almost identical layout in each store. Most products are delivered to suppliers and warehouses while certain items such as bread, poultry and frozen goods are directly delivered to stores. The company also tracks its inventory through a centralized system and performs inventory operations with the SAP program. BIM targets to increase the number of warehouses to 20 by the end of 2008. Specifically the opening of the Erzurum region will be a landmark in BIM's store expansion plans, as it is the first step to cover unrepresented parts of eastern Turkey. Note that at the end of 2008, the company will own 14 of the warehouses. In contrast to strategy of renting stores, the company prefers to own its warehouses for the sake of security and avoid any potential problems with landowners.

Turkish Retail Sector

The retail sector historically has grown in line with GDP

The Turkish retail sector has been on a growing trend in recent years in line with growing incomes and positive developments in the economy. The Turkish retail market has grown at a CAGR of 15% since 2004, and reached US\$136.8bn as of 2006. The size of the market is expected to expand to US\$170bn in 2008, according to Planet Retail's estimates. Grocery sales constitute approximately 51%-53% of the total retail market. As of 2006, total grocery sales amounted to US\$72bn, and are expected to reach US\$88bn in 2008.

Figure 8: Retail Sales and GDP in Turkey (US\$bn)



Source: Planet Retail, FinansInvest Estimates

Figure 9: Retail Sales and Grocery Sales

US\$bn	2005	2006	2007F	2008F	2009F	2010F	2011F
Retail Sales	129	137	156	170	183	198	213
Grocery Sales	69	72	81	88	94	101	108

Source: Planet Retail

Unorganised traditional players still account for a large chunk of the sector, promising strong growth potential for organised retailers

There are approximately 200,000 retail stores in Turkey, majority consisting of small corner shops. The consumption habit of Turkish consumers has traditionally been to carry out daily small purchases from the nearest "bakkal" (small corner shops, usually located on the ground floor of apartment blocks), although there has been a shift in trend towards shopping in organised retail stores, fuelled by more comparative pricing through economies of scale and aggressive growth plans. The market share of the organised retailers reached 42% of the total retail market in 2007, up from 38% in 2006 and 35% in 2005 – although remaining much lower than the 83% in European countries. Considering even in European countries organised retail had only accounted for 51% of the total retail market in the 1980s, the Turkish organised retail market is likely to follow the same path over the next decade.

Figure 10: Number of Stores in the Turkish Retail Market

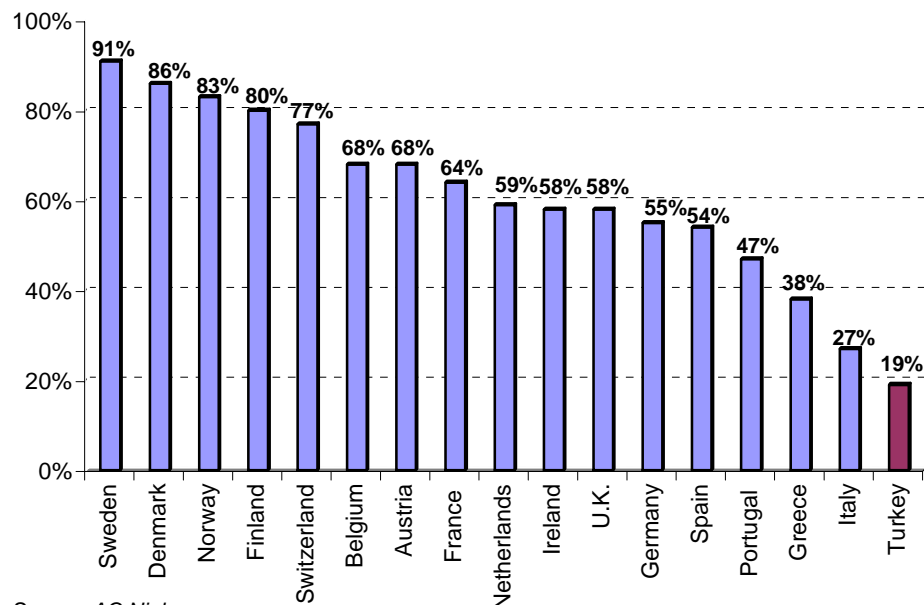
Type of Retailer	Size	2003	2004	2005	2006	2007
Hypermarket	>2500 sqm	143	152	160	164	178
Large Supermarket	>1000-2500 sqm	367	396	454	504	568
Supermarket	>400-100 sqm	968	1,082	1,258	1,567	1,712
Small Supermarket	<400 sqm	2,764	3,179	3,673	4,239	4,763
Total Organized Retailers		4,242	4,809	5,545	6,474	7,221
Mid-Sized Market	50-100 sqm	14,537	15,197	15,076	14,775	14,875
Mom&Pop Store	<50 sqm	124,283	122,781	120,397	116,857	115,221
Total Traditional Retailers		138,820	137,978	135,473	131,632	130,096
Total Speciality Stores		63,237	63,509	64,302	65,112	65,973
Total Retailers		206,299	206,296	205,320	203,218	203,290

Source: Planet Retail

The share of the organised retail sector is expected to increase by 2-3% per annum

There are on average 15 hypermarkets and 150 supermarkets for every one million people in Europe, compared to 3 hypermarkets and 17 supermarkets in Turkey. Moreover, modern retailers are concentrated on the three largest cities of Istanbul, Ankara and Izmir, which constitute approximately 65% of the organised retail market, implying massive growth potential in the currently less-penetrated areas. Considering the potential in low-penetrated areas, Turkey's GDP growth and change in consumption habits, we believe the proportion of the organised retail market will increase by 2-3% per annum.

Figure 11: Market Share of Top 3 Retailers in Europe

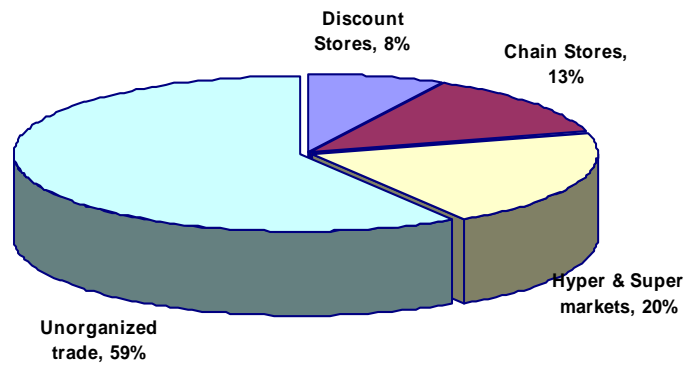


Source: AC Nielsen

The discount segment has been the fastest growing segment in the organised retail market

With an average store size of 200-400 m² in residential areas, discount stores provide easy access to consumers without cars. Hence, discount stores target those living within walking distance of the stores. Considering the daily low average purchase consumption habits of Turkish consumers, we believe the discount store may replace traditional Turkish bakkals in the long run. Major players in this segment are BIM (Hard Discount), Sok (Soft Discount) and DiaSa (Soft Discount). Discount stores offer a relatively limited product range compared to hyper- and supermarkets, with a primary focus of competing on price. The discount segment has posted the fastest growth rate in previous years, with a market share increasing from 5.6% in 2005 to 6.6% in 2006 and 8% in 1Q07.

Figure 12: Trade Channels of the Turkish Retail Market



Source: Retailing Institute Chain Insight Report, 1Q07

Figure 13: Major players in the sector

Company	Format	# of Stores*	Sales Area*
Migros	HPM, SPM, Soft Discount	945	1,083,526
BIM	Hard Discount	1735	433,750
Metro**	Cash&Carry, HPM	18	210,223
CarrefourSA**	HPM, SPM, Soft Discount	561	340,000
Tesko-Kipa	HPM, Soft Discount	56	164,719

* As of December 31,2007

** As of 1Q07

Source: FinansInvest, Planet Retail and Migros estimates

Draft Retail Law

The draft retail law is set to enact in early 2008

The draft retail law was prepared by the Ministry of Industry and Commerce in 2003 in a bid to offer some protection to small groceries and convenience stores struggling in the face of comparative advantages of organised retail chains. The draft law has never been far from the government's agenda, but has failed to materialise. In November 2007, the Secretary of Industry reiterated the government's willingness to find a compromise solution balancing the interests of grocery stores and hypermarkets for the retail law, emphasizing their intention to enact the law in early 2008. In January, the draft was sent to the Prime Ministry.

The implications of the preceding draft law, for retail outlets with retail space exceeding 400m² were as follows:

- Hypermarkets will be open between 10 a.m. – 8 p.m. and the decision on whether the stores will be closed on Sundays will be taken on a case-by-case basis by local as well as state authorities.
- Promotional campaigns will be limited to certain dates such as holidays or the end of seasons.
- Approval of the opening new stores for retailers with less than 10,000 m² of retail space would be given by local municipalities, while larger stores would require the approval of state authorities.
- The percentage of own-label products in total sales must not exceed 40%.
- Retail stores must offer car parking space amounting to at least half of the store size.
- The maximum payable days for the retail chains will be 60 days.

According to the news in the media, the new version of the Draft Retail Law does not include the restriction regarding store closings on Sundays. Moreover, opening hours of hypermarkets, which had been set at 10 a.m. – 8 p.m. under the previous draft, will be decided by local and state authorities. The new edition also removes the restriction on promotional campaigns in the new edition.

Note that the various incarnations of the draft law have been sent to Prime Ministry on 11 occasions since 2005, but have failed to materialize in each time. We believe the law is likely to be toned down as the government seeks reconciliation of all participants in the sector.

The effect of the retail law will be relatively negligible for BIM

We believe BIM would be the least-affected publicly-traded retailer on the ISE, if the draft retail law is ratified in its current form, given that the retail space in BIM's stores range from 200-600m² and that only small percentage of the already-owned stores have more than 400 m² of floor space. On the other hand, if the draft passes into law, the rents, especially on stores with less than 400 m² of retail space, will likely increase, presenting a burden for BIM, considering its policy of renting stores rather than buying.

Forecasts & View on Moroccan Operations

We expect BIM to open its first stores in Rabat, Casablanca and Marrakesh

We believe BIM is penetrating the Moroccan retail market at the right time, as it is still an unpenetrated market offering promising growth potential, with only a small number of players and BIM being the first hard-discounter. Even though no specific details have been announced by the company regarding its potential investment in Moroccan retail market, we project BIM to open its first stores in tier-one cities, probably in Rabat, Casablanca and Marrakesh, where the relatively western-oriented and high-income population is concentrated. We believe the company will not move to second-tier cities in the medium term as the economic and social factors place these unsaturated tier-one cities as a safer bet.

We forecast BIM to open 7 stores in 2008

We expect the company to open its first store in Morocco in early 4Q, and boast a total number of 7 stores by the end of 2008, having a minor effect at the full-year financials. By the nature of the hard-discount segment, we do not expect to see positive earnings in BIM's Moroccan operations for another 4-5 years.

BIM will likely to implement the same strategy in Morocco

BIM is likely to duplicate its strategy of having an optimal product portfolio, which we expect to offer around same number of SKUs as in Turkey (600) or slightly less. We believe BIM stores will also be located in secondary streets in similar store sizes. Considering the bargaining power and efficient cost management, the profitability comes with the growth in the hard-discount format. Therefore, we expect BIM to increase the retail floor space aggressively starting from 2009. We forecast BIM to open on average of 50 stores per year during the next decade, assuming that the company expands at a similar pace to its expansion in Turkey, in proportion to the country's population (Morocco: 31mn vs. Turkey: 71mn).

Due to the small quantities, we expect the company to use the local importers and producers but maintain its decentralised management style. We believe a partnership with a local firm is a more likely scenario as BIM would like to take advantage of the firm's local knowledge and relationship with the local distributors.

Financials & Earnings Review

BIM chalked up 35% YoY growth in sales revenues on the back of its expanding store network, bringing its 9M07 top-line figure up to TRY2,154mn (US\$1,610mn). Note that BIM increased the number of stores by 41 in 3Q07 and 237 in 9M07 to 1,691, from the 1,372 stores at the end of 9M06 and 1,454 at the end of 4Q06.

The like-for-like metrics also confirm the impressive performance for 3Q07. In addition to increase in retail floor space, like-for-like sales revenues in 3Q07 increased to TRY582.4mn from TRY501.4mn indicating 16.2% YoY growth, marking a stepping up in pace from the 14.5% growth in the previous quarter. Furthermore, the company recorded 11.7% growth in the basket size and 4% growth in customer traffic.

Rising share of the own-label sales... As of 3Q07 own-label goods accounted for 49.5% of the in-store product mix compared to 49.1% in 2Q07 and 44.6% in 3Q06. Given the strong pace of growth, BIM is likely to achieve its 50% target by the year-end.

Better operational performance, mainly due to impressive growth in sales and cost-saving procedures. BIM's gross margin came in at 17.6% in 3Q07, slightly eclipsing the company's 17.0% - 17.5% target.

31% growth in EBITDA to TRY43.9mn on 5.5% EBITDA margin in 3Q07. Looking at the 9M07 results, the company posted TRY109.5mn of EBITDA, indicating an increase of 35% YoY.

Figure 14: BIM Financials

TRYmn	3Q06	2Q07	3Q07	% chg (qoq)	% chg (yoy)	9M06	9M07	% chg (yoy)
Revenues	593.7	705.0	800.4	14%	35%	1,593.8	2,154.4	35%
Gross Profit	105.4	120.8	141.2	17%	34%	285.2	375.6	32%
Operating Expenses	-82.8	-95.4	-105.7	11%	28%	-223.5	-290.1	30%
EBIT	22.6	25.4	35.5	39%	57%	61.7	85.6	39%
EBITDA	29.6	33.4	43.9	31%	48%	81.1	109.5	35%
Net Financial & Other Income	2.7	3.3	2.3	-30%	-12%	6.5	9.5	46%
Profit Before Tax	25.3	28.8	37.8	31%	50%	68.3	95.1	39%
Taxation on Income	-5.1	-5.8	-7.8	33%	51%	-11.1	-19.3	74%
Net Earnings	20.1	22.9	30.1	31%	49%	57.2	75.8	33%
Net Financial Debt	-100.9	-50.4	-75.1			-100.9	-75.1	

US\$m	3Q06	2Q07	3Q07	% chg (qoq)	% chg (yoy)	9M06	9M07	% chg (yoy)
Revenues	397.2	528.8	624.9	18%	57%	1,118.0	1,609.7	44%
Gross Profit	70.5	90.6	110.2	22%	56%	200.0	280.7	40%
Operating Expenses	-55.4	-71.6	-82.6	15%	49%	-156.7	-216.7	38%
EBIT	15.1	19.1	27.7	45%	83%	43.3	63.9	48%
EBITDA	19.8	25.1	34.3	37%	73%	56.9	81.8	44%
Net Financial & Other Income	1.8	2.5	1.8	-27%	3%	4.6	7.1	56%
Profit Before Tax	16.9	21.6	29.5	37%	74%	47.9	71.1	48%
Taxation on Income	-3.4	-4.4	-6.1	38%	76%	-7.8	-14.5	86%
Net Earnings	13.5	17.2	23.5	36%	74%	40.1	56.6	41%
Net Financial Debt	-67.4	-38.7	-62.3			-67.4	-62.3	

	3Q06	2Q07	3Q07	9M06	9M07
Gross Margin	17.8%	17.1%	17.6%	17.9%	17.4%
Op-Ex / Sales	13.9%	13.5%	13.2%	14.0%	13.5%
EBITDA Margin	5.0%	4.7%	5.5%	5.1%	5.1%
Net Profit Margin	3.4%	3.3%	3.8%	3.6%	3.5%

Source: Company, FinansInvest

Financial Outlook

40.6% growth at the bottom line in 2007

We expect BIM to end 2007 with US\$2,284mn of revenues on the back of new store openings, implying 47.2% YoY growth, while estimating a gross margin of 17.3%, towards the mid-point of the management's 17.0%-17.5% target. The YoY improvement in operational performance will mainly be derived from improved economies of scale and growth in own-label sales. We estimate that the company rounded up 2007 with 5.0% EBITDA margin, while we estimate a bottom-line of US\$76mn, marking a 50.7% YoY improvement.

Solid top line growth and improvement at operational level to continue in 2008

We project a further 42.2% sales growth in 2008, with the company opening 280 stores in Turkey. We believe the company will enter the Moroccan market in the last quarter, opening 7 stores in Morocco, although this will only have a negligible effect on the full-year financials. We forecast a 30bp contraction in the gross margin to 17.0% in 2008, but this will hardly dampen the overall growth, and we project BIM to end 2008 with a US\$103mn net profit, implying 35.7% YoY growth.

We foresee a CAGR 15.6% in the top-line over the next decade

We believe the company's store network will reach 4,140 stores in Turkey in 2017 with decelerating growth. We forecast 280 store openings in 2008, slowing to 194 new stores in 2017. As for Moroccan operations, we expect an average of 50 store openings per year over the next decade. All in all, we forecast a CAGR of 16.7% at the top-line over the next decade. In line with the solid top-line growth, we expect to an improvement at the operating level, where the company aims to reflect the positive effects of these improvements to sales prices. Therefore, we forecast a gradual climb-down in the gross margin to 15.3% by 2017. In line with the management's guidance, we expect the EBITDA margin to surge to between 4.8-5.0% in the long run where we project a CAGR of 16.1% until 2017.

Figure 15: BIM - Summary Financials

US\$mn	2007E	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Net Sales (US\$mn)	2,284	3,247	3,913	4,620	5,367	6,183	7,050	7,925	8,808	9,745	10,714
growth	47.2%	42.2%	20.5%	18.1%	16.2%	15.2%	14.0%	12.4%	11.1%	10.6%	9.9%
Number of stores	1,735	2,022	2,297	2,591	2,904	3,221	3,538	3,815	4,093	4,374	4,635
Turkey	1,735	2,015	2,275	2,530	2,775	3,022	3,267	3,506	3,734	3,947	4,140
Morocco	-	7	22	61	129	199	271	309	359	427	495
Gross Profit	394	551	654	761	873	994	1,120	1,246	1,371	1,502	1,636
growth	46.0%	39.6%	18.7%	16.5%	14.7%	13.8%	12.7%	11.2%	10.0%	9.6%	8.9%
Gross Profit Margin	17.3%	17.0%	16.7%	16.5%	16.3%	16.1%	15.9%	15.7%	15.6%	15.4%	15.3%
Opex	307	432	513	596	682	774	869	962	1,054	1,148	1,243
growth	43%	40.7%	18.7%	16.3%	14.4%	13.5%	12.3%	10.7%	9.5%	9.0%	8.3%
Opex/Sales	-13.4%	-13.3%	-13.1%	-12.9%	-12.7%	-12.5%	-12.3%	-12.1%	-12.0%	-11.8%	-11.6%
EBIT	88	119	141	165	191	220	251	283	317	353	392
growth	59%	35.6%	18.7%	17.0%	15.7%	15.0%	14.1%	12.9%	12.0%	11.5%	11.0%
Operating Margin	3.84%	3.66%	3.61%	3.58%	3.56%	3.55%	3.56%	3.57%	3.60%	3.63%	3.66%
EBITDA	115	160	190	223	258	296	336	377	419	464	511
growth	56.8%	39.2%	19.1%	17.2%	15.7%	14.6%	13.5%	12.2%	11.3%	10.7%	10.1%
EBITDA margin	5.0%	4.9%	4.9%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Net Profit	76	103	121	142	163	187	213	240	268	299	330
growth	50.7%	35.7%	17.8%	16.9%	15.0%	14.9%	13.6%	12.8%	11.6%	11.5%	10.7%
Net Profit Margin	3.3%	3.2%	3.1%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%

Source: FinansInvest

Figure 16: BIM - Financials (US\$ '000)

000 US\$	2005	2006	2007E	2008F	2009F
CURRENT ASSETS	158,062	215,455	328,715	359,854	435,680
Liquid Assets	44,966	57,687	48,196	18,883	25,036
S/T Trade Receivables	31,233	47,312	84,006	102,215	123,163
Inventories	78,724	106,114	190,815	233,071	281,714
Other Current Assets	3,139	4,341	5,698	5,685	5,767
LONG TERM ASSETS	82,763	120,526	224,121	297,393	348,122
Tangible Fixed Assets	81,161	119,078	221,830	295,227	346,016
Intangible Fixed Assets	1,151	899	1,030	908	830
Other Long-Term Assets	451	550	1,261	1,258	1,276
TOTAL ASSETS	240,825	335,981	552,836	657,248	783,802
SHORT TERM LIABILITIES	161,600	221,964	379,002	460,461	554,420
S/T Trade Payables	128,504	177,223	300,914	367,552	444,262
S/T Payables to Related Parties	22,422	33,115	61,850	75,546	91,313
Short-Term Provisions	4,034	3,211	5,193	6,343	7,667
Other Short-Term Liabilities	6,640	8,415	11,045	11,019	11,178
LONG TERM LIABILITIES	10,124	9,307	10,608	9,819	9,375
Provisions	2,414	3,064	4,022	4,012	4,070
Deferred Tax Liabilities	7,710	5,745	6,586	5,807	5,304
TOTAL LIABILITIES	171,724	231,271	389,610	470,280	563,795
SHAREHOLDERS EQUITY	69,101	104,710	163,225	186,967	220,007
Share Capital	18,855	17,999	21,722	20,159	19,384
Capital Reserves	8,974	14,108	17,026	15,801	15,193
Income Reserves	2,267	5,616	18,353	17,033	16,378
Current Year Income /(Losses)	22,505	51,204	84,646	98,331	115,870
Retained Earnings /(Acc. Losses)	16,500	15,783	21,478	35,643	53,182
TOTAL LIABILITIES & EQUITY	240,825	335,981	552,836	657,248	783,802

000 US\$	2005	2006	2007E	2008F	2009F
Net Sales	1,247,825	1,552,100	2,284,255	3,247,485	3,913,314
Cost Of Sales	-1,023,861	-1,281,981	-1,889,771	-2,696,761	-3,259,586
GROSS PROFIT	223,964	270,119	394,483	550,723	653,728
Operating Expenses	-186,105	-214,909	-306,797	-431,806	-512,533
Profit from operations	37,859	55,210	87,687	118,918	141,195
Income from Other Operations	1,903	2,335	3,436	4,885	5,887
Expenses from Other Operations	-8,986	-1,173	-1,768	-1,504	-1,944
Financial Expenses	552	4,480	5,361	6,248	6,338
PROFIT BEFORE TAX	31,328	60,853	94,716	128,547	151,476
Taxation	-8,807	-10,570	-18,943	-25,709	-30,295
Net income	22,522	50,282	75,773	102,838	121,181

Source: Company, FinansInvest

Figure 17: BIM - Financials (TRY '000)

000 TRY	2005	2006	2007E	2008F	2009F
CURRENT ASSETS	212,088	302,843	382,854	451,617	568,649
Liquid Assets	60,335	81,085	56,133	23,698	32,677
S/T Trade Receivables	41,909	66,502	97,842	128,280	160,752
Inventories	105,632	149,154	222,242	292,505	367,693
Other Current Assets	4,212	6,102	6,637	7,134	7,527
LONG TERM ASSETS	111,051	169,412	261,034	373,228	454,369
Tangible Fixed Assets	108,902	167,376	258,365	370,510	451,620
Intangible Fixed Assets	1,544	1,263	1,200	1,140	1,083
Other Long-Term Assets	605	773	1,469	1,579	1,666
TOTAL ASSETS	323,139	472,255	643,888	824,846	1,023,018
SHORT TERM LIABILITIES	216,835	311,992	441,424	577,879	723,629
S/T Trade Payables	172,426	249,104	350,475	461,278	579,851
S/T Payables to Related Parties	30,086	46,546	72,036	94,811	119,182
Short-Term Provisions	5,413	4,514	6,049	7,961	10,007
Other Short-Term Liabilities	8,910	11,828	12,864	13,829	14,590
LONG TERM LIABILITIES	13,584	13,082	12,356	12,323	12,236
Provisions	3,239	4,307	4,684	5,036	5,313
Deferred Tax Liabilities	10,345	8,075	7,671	7,288	6,923
TOTAL LIABILITIES	230,419	325,074	453,779	590,202	735,865
SHAREHOLDERS EQUITY	92,720	147,181	190,109	234,644	287,153
Share Capital	25,300	25,300	25,300	25,300	25,300
Capital Reserves	12,041	19,830	19,830	19,830	19,830
Income Reserves	3,042	7,894	21,376	21,376	21,376
Current Year Income /(Losses)	30,197	71,972	98,588	123,405	151,233
Retained Earnings /(Acc. Losses)	22,140	22,185	25,015	44,733	69,414
TOTAL LIABILITIES & EQUITY	323,139	472,255	643,888	824,846	1,023,018

000 TRY	2005	2006	2007E	2008F	2009F
Net Sales	1,673,077	2,221,616	2,972,029	3,896,982	4,883,816
Cost Of Sales	-1,372,787	-1,834,978	-2,458,769	-3,236,114	-4,067,963
GROSS PROFIT	300,290	386,638	513,260	660,868	815,853
Operating Expenses	-249,529	-307,612	-399,171	-518,167	-639,642
Profit from operations	50,761	79,026	114,089	142,701	176,211
Income from Other Operations	2,552	3,342	4,471	5,862	7,347
Expenses from Other Operations	-12,048	-1,679	-2,300	-1,805	-2,427
Financial Expenses	740	6,413	6,975	7,498	7,910
PROFIT BEFORE TAX	42,005	87,102	123,234	154,257	189,042
Taxation	-11,808	-15,130	-24,647	-30,851	-37,808
Net income	30,197	71,972	98,588	123,405	151,233

Source: Company, FinansInvest

Appendix: Overview of Moroccan Retail Market

Organised retail chain accounts for only 15% in Morocco

Modern food distribution channels account for roughly 15% of total retail food sales in Morocco, promising strong growth potential in coming years. Approximately 60% of the modern supermarkets are concentrated in Rabat, Casablanca and Marrakesh where the high-income population is concentrated. Traditional grocery stores and open-air markets are likely to continue to play a major role, especially in small cities and rural areas which are home to 45% of the Moroccan population.

Changing consumer habits will underpin the growth of the organised retail sector

The Moroccan food retail sector is very similar to the Turkish market in many ways. Morocco's per capita GDP of US\$2,370 in 2007 is very close to Turkey's per capita GDP in 1995 (US\$2,745) when BIM first entered the Turkish market. Moroccan consumers have changed their shopping habits over the last decade with the shift in the socio-economic environment. A burgeoning middle class, with an increasing number of women starting to work outside home, has engendered a decline in the available-shopping-time, leading to grouped purchases from hyper- and supermarkets to take the place of daily low average purchases from open bazaars and small convenience stores. Additionally, the expanding number of western-oriented consumers in urban areas, increasing awareness that supermarkets offer safer and cheaper products and rising acceptance of packaged food are further motives that will underpin the growth of the organised retail sector in a country of 31 million habitants.

The Moroccan retail market was ranked as 15th in the Global Retail Development Index (GRDI) of A.T. Kearney, which ranks the top 30 emerging countries by retail development according to retail and macroeconomic variables.

Figure 18: Global Retail Development Index by AT Kearney

2007 Rank	Country	Region	Country Risk	Market attractiveness	Market Saturation	Time Pressure	GRDI score
			Weight	25%	25%	30%	
1	India	Asia	67	42	80	74	92
2	Russia	Eastern Europe	62	52	53	90	89
3	China	Asia	75	46	46	84	86
4	Vietnam	Asia	57	34	76	59	74
5	Ukraine	Eastern Europe	41	43	44	88	69
6	Chile	Americas	80	51	42	43	69
7	Latvia	Eastern Europe	77	32	21	86	68
8	Malaysia	Asia	70	44	46	54	68
9	Mexico	Americas	83	58	33	33	64
10	Saudi Arabia	Mid. East/N. Africa	65	40	66	35	64
11	Tunisia	Mid. East/N. Africa	60	33	77	37	64
12	Bulgaria	Eastern Europe	62	32	42	68	63
13	Turkey	Mid. East/N. Africa	52	50	57	43	62
14	Egypt	Mid. East/N. Africa	43	37	85	35	61
15	Morocco	Mid. East/N. Africa	59	33	70	37	60
16	Thailand	Asia	71	39	30	55	59
17	Slovenia	Eastern Europe	100	33	13	47	58
18	United Arab Emirates	Mid. East/N. Africa	100	35	33	24	57
19	Croatia	Eastern Europe	73	38	10	70	56
20	Brazil	Americas	53	61	59	18	56
21	Uruguay	Americas	35	41	65	49	56
22	Peru	Americas	42	34	79	34	55
23	Philippines	Asia	41	46	63	37	54
24	Indonesia	Asia	36	40	70	37	52
25	Algeria	Mid. East/N. Africa	25	30	90	35	51
26	Hungary	Eastern Europe	96	36	2	46	51
27	Romania	Eastern Europe	60	31	22	66	50
28	Lithuania	Eastern Europe	75	33	17	54	50
29	Argentina	Americas	31	50	43	54	50
30	Colombia	Americas	44	50	52	26	47

Source: AT Kearney, Growth Opportunities for Global Retailers

LEGEND

0=High Risk 100= Low Risk	0= Low Attractiveness 100=High Attractiveness	0=Saturated 100= Not Saturated	0= No time pressure 100= urgency to enter
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International players, notably from Europe, have entered the market during the last decade and brought know-how to Moroccan retailers. According to figures released by the USDA Foreign Agricultural Service, most retail chains in Morocco have had, or have, international participations.

Figure 19: Organised Retail Sector in Morocco

Type of Stores	Estimated # of Stores	Location
Large Supermarkets (12-32 registers, >500 parking lot, >3700m ²)	28	Casablanca (6), Rabat/Sale (4), Marrakech (4), Agadir (3), Fes (2), Tanger (2), Meknes (2), Mohamedia (1), Kenitra (1), Tetouan (1), Temara (1), Safi(1)
Small Supermarket & Convenience Stores		
1) Small Supermarket & Convenience Stores (>3 registers, >1100m ²)	60	Casablanca (18), Rabat (7), Marrakech (5), Agadir (4)
2) Small Self-Service Grocery Stores (2 registers, >90m ²)	180	Casablanca (18), Rabat (7), Marrakech (5), Agadir (4)
Hanouty Small Convenience Stores Chain (1 register, 20-120 m ²)	130	Casablanca and Rabat
Mom & Pop Stores		
1) 90m ²	500	-
2) 20-90m ²	4,500	-
3) <20m ²	40,000	-
Small Convenience Gas-Marts	30	Marrakech, Casablanca, Agadir, Rabat, and highways

Source: USDA Foreign Agricultural Service

i) Large Retail and Wholesale Supermarkets

Figure 20: Large Retailers and Wholesale Supermarkets

Retailer	Ownership	# of Outlets	Purchasing Type
Marjane	Moroccan	16	Local importers / distributors
Metro	Dutch	6	Local importers / distributors. Occasionally imports through its headquarter in Europe.
Aswak Assalam	Moroccan	6	Local importers / distributors

Source: USDA Foreign Agricultural Service

There are 3 major players in large retail and wholesale supermarkets segment

The stores in this category have more than 250 employees, at least 3,700m² of retail space and 12-32 registers. Food sales (the number of food items sold usually exceeds 12,000) account for approximately 40-50% of the total sales in large retail stores and wholesale supermarkets. These stores also include other private shops such as pharmaceuticals, fast-food chains and petrol stations. These stores target medium and high-income consumers. They are not generally within walking distance for consumers and hence include large car parks with capacities of 500 to 1000.

Metro penetrated the market in early 90s with its cash-and-carry concept

Metro penetrated the market in the early 1990s with its cash-and-carry concept, usually with a large sale format in bulk sales; a membership card is required to shop in these outlets. Even though the company's main target is retailers and HRI's, individual consumers holding the access card shop in Metro for a relatively small-scaled purchases. On the other hand, Metro has tended to concentrate on the wholesale segment over the last two years.

Auchan – Marjane partnership ended in 2007

Marjane hypermarkets and ACIMA convenience stores belong to the same company. Marjane was also opened in Morocco in the early 1990s. In 2001 the French Auchan acquired 49% of these chains, while Auchan withdrew from the deal later in 2007. ONA (Omnium Nord-African), currently Morocco's largest consortium, owns Marjane and the ACIMA chains. Marjane hypermarkets are usually located in isolated areas, targeting high-income consumers.

Aswak Assalam targets the same segment with Marjane

Aswak Assalam was formed as a franchise agreement with the French Casino and is in the same segment with Marjane. The stores tend to be somewhat smaller than Marjane's but are significantly larger than any other supermarkets in Morocco.

ii) Small Supermarkets and Convenience Stores

Figure 21: Small Supermarkets and Convenience Stores

Retailer	Ownership	# of Outlets Estimated	Purchasing Type
ACIMA (6 registers, >1860m2)	Moroccan	23	Importers and combined import with Marjane
Small Supermarkets (>3 registers, >2300m2)	Local - private	27	Importers / Wholesalers
Large Grocery Stores (Self-service, <180m2)	Local - private	180	Importers / Wholesalers
Hanouty (1 register, 20-120m2)	95% of the shops are franchisee. (Franchiser is a Moroccan company)	130	Through centralized purchase platform

Source: USDA Foreign Agricultural Service

ACIMA, The Label Vie and Hanouty are the major players in small supermarkets and convenience stores segment

The ACIMA supermarket chain has 23 stores and is expected to open 5 new stores per year, according to USDA Foreign Agricultural Services. As stated above, Marjane and ACIMA belong to the same owner, ONA. ACIMA carries over 5,000 products.

The Label Vie supermarkets carry 5,000 products of which 2,000 consist of food items. The chain also imports "Leader Price" own-labels.

Hanouty is a small convenience store chain that offers both food and daily goods, established by one of the largest finance groups in Morocco. There are currently 130 Hanouty stores located mainly in the Casablanca and Rabat area. Hanouty has aggressive growth plans where the chain aims to expand to 3,000 stores by 2010.

Considering the similarity in store formats, the comparative advantage in immediate store openings and the target segment, Hanouty could emerge as a competitor to BIM at the penetration stage.

Market Structure

i) Large Retail Stores and Wholesale Supermarkets

In spite of Metro, which occasionally imports from its headquarters in Europe, the majority of imported-food products are carried to large supermarkets and wholesalers by local importers. Purchases from local importers and producers are carried out by the head offices of the supermarkets, which are mostly located in Casablanca. Marjane's purchases are combined with ACIMA's, where they use a shared buying platform.

i) Small Supermarkets and Convenience Stores

Small supermarkets and convenience stores, which will likely be BIM's peers in the Moroccan market, supply their purchases from local importers, distributors and wholesalers with the exception of ACIMA, which uses a shared buying platform with Marjane. Likewise, Hanouty utilizes its centralized buying platform for the chain's purchases. The local importers' sales staff visit supermarkets regularly and take orders. With their low average-purchases, small convenience stores also purchases goods from local wholesalers. Both importers and wholesalers provide credit to supermarkets.

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 **FINANSINVEST**
Finans Yatırım Menkul Değerler A.Ş.
Nispetiye Cad. Akmerkez B Kule Kat:2
34330 Etiler – İstanbul TURKEY

Switchboard: +90 212 282 1700
Research Fax: +90 212 282 2256
Sales & Trading Fax: +90 212 282 1755

Contacts:

Oguz Büktel	EVP, Research & Institutional Sales	+90 212 336 7285	oguz.buktel@finansinvest.com
Tamar H. Boz	Platform Assistant	+90 212 282 2259	tamar.boz@finansinvest.com

Economic Research

Banu Kivci Tokali	Macroeconomics, Politics	+90 212 336 7278	banu.kivcitokali@finansinvest.com
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Equity Research

Mert Ulker, CFA	Head of Equity Strategy	+90 212 336 7275	mert.ulker@finansinvest.com
Osman Memisoglu	Telecoms, Media, Beverages, Autos & Auto Parts	+90 212 336 7284	osman.memisoglu@finansinvest.com
Sadrettin Bagci	Banking, Insurance	+44 7515 127174	sadrettin.bagci@finansinvest.com
Mehmet Colakoglu, CFA	Conglomerates, Consumer Durables, Cement, Glass, Construction, Retail, Sports Clubs	+90 212 336 7296	mehmet.colakoglu@finansinvest.com
Ozgur Ucur	Real Estate, Pharma & Healthcare, Defence, Technology, Tourism, Quantitative Analysis	+90 212 336 7283	ozgur.ucur@finansinvest.com
David Taranto	Food, Textiles & Apparel, Retail, Quantitative Analysis, Database	+90 212 336 7281	david.taranto@finansinvest.com
Yael Yahya	Quantitative Analysis, Database	+90 212 336 7282	yael.yahya@finansinvest.com

Institutional Sales & Trading

Ceren Onar Karacak	Sales & Trading	+90 212 336 7118	ceren.karacak@finansinvest.com
Egemen Erden	Sales & Trading	+90 212 336 7102	egemen.erden@finansinvest.com
Emre Balkeser	Sales & Trading	+90 212 336 7106	emre.balkeser@finansinvest.com
Mete Demir	Sales & Trading	+90 212 336 7116	mete.demir@finansinvest.com
Nezihi Abay	Sales	+90 212 336 7107	nezihi.abay@finansinvest.com
Mert Ozener	Sales	+90 212 336 7112	mert.ozener@finansinvest.com
Mujde Erdogan	Sales	+90 212 336 7101	mujde.erdogan@finansinvest.com
Merih Filiz	Sales & Derivatives	+90 212 336 7287	merih.filiz@finansinvest.com
Kelly Dumankaya	Sales	+90 212 336 7122	kelly.dumankaya@finansinvest.com
Sezin Temelli	Trading	+90 212 336 7105	sezin.temelli@finansinvest.com
Ozlem Atas	Trading	+90 212 336 7103	ozlem.atas@finansinvest.com
Sibil Pektorosoglu	Settlement Officer	+90 212 336 7121	sibil.pektorosoglu@finansinvest.com